

MONTANA STATE LIBRARY

DRAFT

AN INTRODUCTION TO COMMUNITY DEVELOPMENT:

A GUIDEBOOK FOR LOCAL LEADERS

by

Lawrence Gallagher, Consultant

and

The Montana Department of Commerce

STATE DOCUMENTS COLLECTION

AUG 1 1989

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

PLEASE RETURN

Published by the Development Bureau of the
Montana Department of Commerce
Helena, Montana

December 1982

TABLE OF CONTENTS

<u>Chapter</u>	<u>Title</u>	<u>Page Number</u>
-	Foreward.....	1-2
1	What is total community development?.....	3-6
2	The need for total community development..	7-13
3	The reasons for a public/private partnership.....	14-17
4	The role of state and federal government..	18-20
5	How to organize for community development.	21-26
6	Developing a total community development plan.....	27-35
7	How to finance community development.....	36-58
8	Land marketing and community promotion - attracting private investment.....	59-61
9	Summary.....	62-63
-	Appendix (Includes bibliography and other resources).....	64-

FOREWARD

"Provide local communities with the information and technical assistance necessary to attract businesses that will provide long term employment opportunities for Montana citizens."

"Recognize the interdependent relationship between community and economic development."

These were two of eight objectives established for the new Department of Commerce by Governor Ted Schwinden when it was created on July 1, 1981. The Department of Commerce is an advocate of economic development consolidating four essential functions of state government: regulation of business activity; promotion of business; assistance to local governments in community development; and planning of transportation services. The Department's purpose is summarized by the statement:

"We must take positive steps toward maintaining and expanding existing Montana businesses and attracting new light manufacturing and technologically base businesses."

"Montana's economic future will be molded by sensible nonrenewable resource development, retention and expansion of our agricultural, tourism, timber and manufacturing industries, and by creative and dynamic development of new technologies. Success in all of these areas will be measured at the community level by increased business and employment opportunities."

Increased business and employment opportunities are achieved by encouraging balanced, planned community growth. Total community development can be achieved if the community's leaders will:

- (1) accept the challenge to assess their community's needs;
- (2) identify and analyze community resources;
- (3) attempt to meet community needs by developing public/private strategies based upon clearly stated, realistic, and targeted objectives.

This guidebook suggests some reasons why community development is necessary, discusses how to start the community development process, and introduces some community development tools. This guidebook is not intended to be all-inclusive nor does it offer sophisticated solutions. It is intended to provide community leaders with the basic information and methods which may be employed to attain a growth that is desirable and in tune with all basic human needs and the environmental quality of our cities and towns and the State of Montana. The guidebook recognizes that there is great diversity among Montana communities. There are differences in community resources, objectives, attitudes, administrative ability, organization. Thus the guidebook will generalize suggesting that you modify or mold the guidebook's ideas to meet your community's needs. A bibliography of community development literature available is part of this guidebook. After you do some basic community development planning, you are encouraged to explore and develop the necessary tools to meet your community development goals and objectives.

CHAPTER 1

WHAT IS TOTAL COMMUNITY DEVELOPMENT?

According to PRINCIPLES OF INDUSTRIAL DEVELOPMENT edited by Richard Preston, there are three words basic to the consideration of TOTAL COMMUNITY DEVELOPMENT. They are: GROWTH - DEVELOPMENT - COMMUNITY. Think of growth as a weed patch - wild, uncontrolled and unpredictable or as a garden that is planned, nurtured and desired. Unplanned growth is a weed patch - carelessly nurtured, planned growth is a garden. Total community development is achieved by planning and developing the balanced growth of the city or town's social, economic, political and natural environments - its total environment.

"Social Environment refers to housing, health education welfare, employment, amenities, recreation, crime prevention and such elements of the Community.

Economic Environment embraces human resources, capital resources, natural resources, markets, transportation, utilities and commerce.

Political Environment is composed of the governmental structure of a community; the legislative, the executive and the judicial branches. The government affects the total environment through its mature development and implementation of laws.

Natural (or Physical) Environment includes air, land, water, and other natural resources which exist in a community."

These four environments function together as a unit - a community - whose overall goal is to preserve and enhance the quality of life. Total community development must address concerns about and attempt to interrelate the social environment, economic environment, political environment, and the natural environment. Taking these social, economic, political and natural environments into consideration, total community development is committed to preserving and enhancing the quality of community life through:

(1) the generation of productive employment opportunities;

(2) the expansion of the economic base.

Therefore the effort must concern itself deeply with the development of the total community, not simply with the development of one or another element in the community. The consequential or lasting effect of Total Community Development involves developing and sustaining the following:

- a. A positive, collective community attitude toward balanced growth which requires, in effect, that all of the communities which make up the total community understand that the development which is being undertaken is development with environmental quality.
- b. A civic awareness that is representative of the communities within the collective community;
- c. A progressive and representative government organization;
- d. Housing plan for all income group levels - present and future;
- e. Health facilities capable of serving a growing community and efficient "protective services": police, fire, etc.;
- f. A broad gauged educational program which includes vocational training and technical assistance;
- g. A trained manpower reserve;
- h. A realistic land use plan supported by realistic zoning and building ordinances which reflect that the community as a whole appreciates the need to implement comprehensive planning by "development with environmental quality";
- i. Public utilities such as electricity, gas, water, sewage, waste disposal, etc. which can meet both present and projected demands;
- j. Public services adequate to accommodate expansion of residential, commercial, manufacturing and recreational facilities;

- k. A transportation network commensurate with the development goals;
- l. A healthy business community that reflects public appreciation of what private enterprise means to a community;
- m. A sense of responsibility toward the area and region of which it is a part.

SUMMARY

"Total Community Development to succeed, requires that many principles of industrial development be followed and adhered to on a daily basis.

Three basic principles that encompass all others are:

- A. The community must strive to maintain and develop its quality of life;
- B. "Desirable growth" occurs when the total environmental quality is made the goal of industrial development; and,
- C. Total Community Development must become the standard process for present and future industrial development.

A community that follows these general principles and their specific procedures will be "successful" in developing as a total community."

CHAPTER 2

THE NEED FOR TOTAL COMMUNITY DEVELOPMENT

The RANDOM HOUSE DICTIONARY defines need as: "a requirement, necessary duty or obligation, or a lack of something wanted or deemed necessary." The need for Total Community Development has been a matter of State policy for decades and although it has not been legislatively required it has been encouraged, promoted and enhanced as a necessity in the public interest. To better understand the need for Total Community Development today we should examine how communities and economic development has evolved since the last half of the nineteenth century.

Montana cities and towns evolved from a collection of crude shacks, log cabins, and tents that housed the first hardy pioneers, drawn from urban centers long established in the east to this land rich in resources. It was the odd assortment of gold seekers, cattlemen, lumbermen and farmers and those more civilized and accustomed to urban comforts than the trappers of Jim Bridger's era, that created the market which, in turn, attracted the entrepreneurs who would pioneer trade, merchandising and manufacturing in exchange for the gold, which was abundant in the new territory.

Mines, mills, smelters, grain elevators and the all-purpose general store soon dotted the landscape and were connected by ribbons of steel, as the railroads developed, replacing the oxen-drawn freight wagons used to distribute goods brought upriver by steamboat. The traders, manufacturers and merchants were joined by attorneys, physicians, surveyors and other professionals to round out a full complement of services that were demanded and now provided for in the first Montana communities.

Central to these emerging communities was the banking industry which became the anchor tenant of the Main Streets, Broadways, Central Avenues and Last Chance Gulches that were at this early period the center of activity in Montana's urban centers. Banks provided the loans necessary to continue the expansion of local economies, introducing and reintroducing the venture capital required by Montana's growing business community. Banks channeled the fortunes of the mining magnates, timber and cattle barons, and even the meager savings of the laboring community back into expansion of the local economy, which included permanent housing. The evolution of neighborhoods, central business districts and industry thus were directly tied to bank participation.

The territorial and eventually state government was established, and towns elected mayors and councils. Volunteer and private schools, once the only choice for education, were supplemented by public schools. Water systems, streets, lighting, fire and police protection were provided, with municipal and state government revenues derived from a tax on the land and its improvements. Substantial portions of that revenue were generated from the ad valorem tax on land and improvements owned and occupied by business and industry. In fact, it is safe to say, that without the tax contributions of business and industry, Montana communities could not have afforded the luxury of government services and public infrastructure.

A healthy tax base has always been synonymous with a healthy "base" or primary industry, its derivative businesses and the

housing stock. Agriculture, timber or wood products, and mineral resource extraction and processing are the primary base industries in Montana. These base industries, to a large extent, have always controlled the economic well-being of the state. It is because of these base industries, that central business districts and satellite businesses grew and prospered.

The secondary or derivative businesses, providing goods and services, prospered or declined in direct proportion to the economic well-being of Montana's base industries.

Base or primary industry in Montana is often controlled by regional, national, or international financial/economic factors beyond the control of the communities or the state. Factors such as world markets, tight money, import or export tariffs or duties can and do affect our base industries (and communities which depend on them) often in a negative way.

Montanans are aware of the relationship of base industry and derivative jobs. We are reminded constantly that weather is an important determinate of our economic well being. Our history is replete with examples of how the free enterprise system and the desires of entrepreneurs meshed to carve an economic foothold in our rich environment. Communities matured, the tax base grew, public services were provided and now over one hundred years later, we are faced with some new opportunities and problems.

The heart of every urban center from Plentywood to Hamilton, from Billings to Missoula, is the central business district. It may be two blocks long or encompass hundreds of acres.

It is the place of businesses, people and all manner of commercial activity. Historically, the central business district served as the financial, entertainment and retail center, the place where parades were held and politicians gathered. Main street businesses were the financial strength and building blocks of the community because they provided the tax base, jobs, and needed goods and services. The central business district and surrounding neighborhoods, the economic strength of the community, and the ability to provide local government services were in turn tied to and directly dependent upon the strength of the region's primary economic base - whether mining, timber or agriculture. Because of this dependence, these base industries had a pervasively powerful influence on the community and often exercised tight control, as dominant forces are wont to do, of local politics and community development.

Since World War II, particularly in the 1950's and 1960's, world and, particularly, national external financial/economic factors began to reduce the influence of major industry and the importance of central business districts. Central business districts were by now fully developed, i.e. occupied by buildings. Age and functional obsolescence, however, had started to take its toll. The city center was suffering from physical deterioration and the subsequent weakening of its financial structure; although there was concern it was often too little and too late.

The center of our communities, the central business district, the tax base which provided significant tax revenues to build our schools, libraries, civic buildings, public streets and

other infrastructure was in trouble, and the need existed to help revive it and encourage its rebuilding through public/private investment and reinvestment.

At the same time that the problems of the central business district were developing and becoming acute, base industry in Montana was also in a state of transition. Mining had become highly mechanized and underground operations were abandoned for less costly, less labor-intensive open pit mining. The world market prices for gold and silver were not adequate to support costly extraction and refining once the easily accessible rich deposits were exhausted and air quality standards had to be met. The world price for copper declined due to many external factors. Agriculture, too, although still the state's biggest industry, became less labor-intensive, through high mechanization and the use of new farming and ranching techniques. Marginal farms and ranches were bought up by larger operators more capable of competing in what had become a capital-intensive business. The national and world market places for agricultural products were now more susceptible to forces beyond the control of Montana farmers and ranchers. Mechanization, new building materials, and other factors affected the woods products industry and its ability to produce new jobs.

More and more the economic strength of this state is dependent on new and expanded industry and economic diversification; diversification to lessen our dependency on historical base industries, but more importantly to provide new jobs, a healthy tax base and to stimulate economic growth.

We should also examine the importance of tourism and travel to our state. "The overall travel industry generates approximately 12,000 full and part time jobs and about 60 million dollars in income. This makes tourism Montana's sixth largest basic, income producing sector, well ahead of light manufacturing, primary metals, food products, and refining.

The need, then, to improve and redevelop our aging business district, strengthen and diversity our economy and adopt balanced growth policies is rooted in the history of this state. It is simple pragmatism to demand solutions and seek answers which balance, economic, social, political and environmental concerns.

Part of the solution is the formation of public/private partnerships throughout Montana willing to address the problems and accept this challenge. In the next chapter we will discuss the concept and functioning of the public/private partnership.

CHAPTER 3

THE REASONS FOR A PUBLIC/PRIVATE PARTNERSHIP

Industry and commerce in Montana communities has been developed by the private sector. Why now does local and state government need to get involved? The magnitude of the problem!

The existence of blight in our communities, the lack of housing, or the failure to provide productive employment opportunities is mostly the result of the inability of one or several investor-developers to deal with all of the problems found, both public and private, and still realize a reasonable profit on an investment. Although investor-developers are socially conscious, community betterment is not their sole concern. They face numerous problems in the provision of quality development. Land may be difficult to assemble, too expensive, and zoned wrong or not zoned at all, hampering its future development. Buildings may need to be cleared, obsolete platting corrected, utilities, streets and parking may be inadequate and the "character" of the area may not be conducive to private development.

Local government is endowed with legal powers not delegated to the private sector. It can coordinate total community development programs and devote a variety of resources to encourage private investment; it can aid in project financing through the use of special improvement districts; parking, sewer, and water revenue bonds; industrial development revenue bonds; and urban renewal tax increment bonds. Local government can apply for and receive federal loans and grants to aid in project financing, although these sources are becoming more and more restricted. Through the use of statutorily authorized powers, and these community development tools, local government can provide incentives and act as the catalyst to encourage private

investment and reinvestment. Local government, however, cannot exercise its powers without, unless, and until, the private sector is ready, willing and able to do its part by "making a consequential capital investment in the identified potentials of the constituent areas."

BENEFITS TO THE PRIVATE SECTOR

Private business exists to make a profit by providing goods and services or manufacturing products. The investor-developer is interested in a profitable return on dollars invested in a business. Investor-developers are also motivated by opportunities to shelter regular income from income tax through real estate investments or by investing in new or expanded plant and equipment. Tax incentives have encouraged the rehabilitation of historically significant buildings and major new investment for industrial plant and equipment modernization. Existing property owners, those who have already invested in the community, have an opportunity through their participation in total community development to protect their investments.

If a public/private partnership is formed the private sector can work collectively to solve problems beyond the capacity of individual investor-developers and merchants. By working with local government the private sector may be able to take advantage of low interest loans, grants, and other incentives. There are risks involved as with any investment; however, most risks can be reduced through proper planning and the total commitment of both local government and the business community. Both the public section and the private sector have needs,

resources, and tools which need to be integrated in a public/private partnership approach to community development.

BENEFITS TO THE PUBLIC SECTOR

The benefits to local government which elects to create a public/private partnership are an improved tax base, more jobs, and a more livable environment for the citizens of a community. As blight is eliminated, as the housing stock improves, as the local economy improves, there is often a direct reduction in the cost of providing city services. Utilities, streets, parks, and other public improvements are (or can be) improved with new tax revenues generated from development. Community pride can be restored as the community becomes economically viable and is restored to its pre-eminence as a center for trade, jobs and culture. The economic well being of the State of Montana is dependent upon the health and vitality of its individual cities and towns.

CHAPTER 4

THE ROLE OF STATE AND FEDERAL GOVERNMENT

The Montana Department of Commerce was created in July, 1981, by Governor Schwinden who established the following objectives for the new department:

- Reduce the adversary relationship between the public and private business sectors.
- Improve the state's business image.
- Develop and implement a unified state policy designed to foster stable, diversified economic development in Montana.
- Provide local communities with the information and technical assistance necessary to attract businesses that will provide long-term employment opportunities for Montana citizens.
- Recognize the interdependent relationship between community and economic development.
- Remain informed of changing world and national economic conditions and work to avert major industry shutdowns in the state.
- Consolidate and streamline state business licensing and regulatory functions.
- Integrate transportation planning with economic development planning.

The creation of the Department of Commerce consolidated four essential commerce functions of state government: regulation of business activity; promotion of business; assistance to local governments in community development; and regulation and planning of transportation services. The Department of

Commerce will act as advocate, catalyst, provide technical assistance, provide data and target limited state and federal resources to promote and encourage Total Community Development. It will actively solicit views and ideas from Montana's community and business leaders as to programs it should develop, alter or eliminate to better encourage and foster total community development.

It is clear that the Federal Government will not provide as many "tools" for local community development as in the past. Community development must be more dependent on local and state resources. Federal grant programs and technical assistance budgets have been cut drastically. Still, there are federal resources available: HUD Urban Development Action Grants, FmHA Community Facility Loans, EPA Wastewater Grants, NPS Land and Water Conservation Funds, etc. Communities should start by using local resources. Federal and state resources should supplement - not supplant - local resources.

CHAPTER 5

HOW TO ORGANIZE FOR COMMUNITY DEVELOPMENT

SHOULD YOUR COMMUNITY GET INVOLVED?

Not every Montana city or town needs the comprehensive total community development approach to solve its problems. State law contains many tools which may be employed to deal with specific or scattered problems. Why develop a total community development plan and implement a comprehensive project when perhaps a simple special improvement district or parking revenue bond would do the job? Perhaps there are just a few run down buildings and the rest comply with local codes and standards. Why not exercise existing powers and enforce the local building code? Perhaps there is only need for one store or motel to expand, and land is available. Why not use an industrial development revenue bond to finance land and improvements? Perhaps public utilities are old and in need of repair and/or replacement. Why not issue sewer and water revenue bonds to finance the needed improvements? Total community development is useful and necessary only when a combination of factors contributing to "blight" exist and can be addressed by using a combination of tools and powers.

Next, there must be evidence that that program will receive community support. At minimum, it must be supported by elected officials and the business community alike. Both must realize that without this public/private partnership and commitment to make the process work, it is doomed to failure. One of the principal reasons for the failures of federally funded programs is the failure to recognize and deal with this important factor before federal funds are received. The fact that funds

are now generated locally will not in itself generate local support. Everyone cannot be convinced that it is a worthwhile program, but attempts should be made to identify and deal with, and overcome strong local objections.

If the need does exist, if a total community development plan has been well thought out and developed on the basis of your community's needs and objectives, if the private sector has been involved in developing the plan and is willing to participate, and if elected officials can declare that it is necessary in the public interest that a total community development plan be developed, then proceed.

Total Community Development may require a financial commitment to get started. Seed money or front end money in the form of either public and/or private revenue commitments can be used to develop plans and conduct surveys of community attitudes and desires.

Who will bear the cost? Typically those who will benefit. In Missoula, Great Falls and in Kalispell, businesses and property owners generated a large portion of the initial revenues needed through either assessments or private contributions. These private funds were often matched or supplemented with public dollars derived from parking revenues, revenue sharing dollars, planning grants or Community Development Block Grants. Regardless of the source of initial funding, both the public and private sectors must realize that there will be a need for continuing financial commitments. The city will be requested to provide public improvements; it may be necessary to forego

improvements in other parts of the city. Planners, engineers, and building officials may have increased workloads or even find the need to hire additional staff. The city attorney will have added responsibility, and elected officials will have to devote more time, effort and study for review and decision making.

For the plan to succeed the private sector may be asked to pay for at least a portion of the cost for improvements and other urban amenities. Property owners will be asked to repair and improve their buildings if code violations exist, although low interest loans may be available, thus reducing their cost. Special Improvement Districts (SID) may be needed and, finally, investor/developers will have to make substantial long term financial commitments for new or expanded businesses for a total community development to succeed.

Despite the need for private investment, total community development projects frequently are carried out at no cost to the general public. For example, governmental provisions for public improvements in a community are oftentimes desperately needed, whether or not a plan is in existence. The benefits of stabilizing or improving the tax base, the additional jobs provided and a reduction in city services over the long term should far outweigh any cost to the taxpayers.

Total Community Development will change a community and where there is change, there is controversy. In many Montana cities and towns, a change is long overdue. Total community development can change the physical characteristics of a community, hopefully improving them. But there are those who

resist change and many who just don't care. It is hard for the citizens of any town undertaking a project to remain indifferent and untouched by it, particularly those in smaller communities.

Elected officials and other community leaders must realize from the very beginning that if they do not agree with the general principles of total community development and are not willing to see the program through, they should not become involved in adopting a total community development plan or project. Dissension, lack of commitment and support or the inability of a governing body to act and react quickly, will frustrate staff and citizens, and destroy investor/developer confidence in the area. Opposition will also find this kind of atmosphere fertile ground to plant the seeds of doubt and the eventual failure of the program.

Local community leaders need to understand and investigate all aspects of total community development before a program is initiated. Complete unanimity, although not necessary, is desirable.

To summarize this section, before a community or the local governing body decides to adopt total community development plan and exercise the powers conferred by state law, these questions should be answered. Will lesser measures work? Is there a need for a comprehensive project? Will the private sector respond? Will the public sector respond? Total community development should be discouraged if:

1. objectives are not clear;

2. there is a serious doubt that the community has the ability and level of sophistication needed to run the program;
3. the community is not willing to hire competent staff and/or professional help;
4. property owners in the area are quite satisfied with things as they area;
5. the private sector is unwilling or financially unable to rehabilitate or reinvest in the area;
6. market studies, community attitudes, lenders and realtors, suggest an area has no drawing power, strengths or a focal point to attract investment or reinvestment;
7. apathy prevails;
8. there is no system for building or development codes or enforcement.
9. there is no replacement housing for persons or families that may be displaced.

The need for a comprehensive plan and a land use plan exists. Mentioned above is a need for codes and enforcement. These and other essential elements were one requirement of a "Workable Program", a prerequisite of federally funded categorical programs, but no longer required. The authors of THE CITIZEN'S GUIDE TO URBAN RENEWAL aptly stated the philosophy behind the workable program requirement:

To spend money for the elimination of blight in one section of your community without taking steps to prevent its reoccurrence elsewhere is like trying to fill up a bathtub with the plug pulled out.

By now you may have decided that total community development is not the approach to take in your community.

If this is the case, please browse the remainder of this guidebook. You may still find some useful potential solutions to an individual community problem.

CHAPTER 6

DEVELOPING A TOTAL COMMUNITY DEVELOPMENT PLAN

Mindful of Daniel Burnham's advice to "Make no little plans; they move not men's souls", community leaders need to develop a plan that will spark and inspire developer-investor interest and public acceptance by addressing obvious community needs and objectives. The plan should suggest measureable improvements, but should not be overly ambitious or unrealistic. The plan should clearly establish the strategy to be used to implement the plan and to attain the desired goals.

Total Community Development planning should begin with a thorough description of the assets and liabilities of the blighted areas. Retention of tangible qualities should be a prime objective, because these underpinnings can serve as the building blocks of the project. Usually financial institutions, department stores, office buildings, and public buildings are the anchor tenants or major assets in central business districts. The existing industries and manufacturers of your industrial areas are the assets to consider expanding or to use to attract new, complementing businesses. It is said that 70 to 80 percent of industrial growth comes from expansion of the local existing industry. Develop a plan that will focus on this potential drawing power. Buildings or districts that have historic or architectural significance can be the tangible, quality worth preserving. Simply put, "Accent the positive; eliminate the negative."

There is no such thing as "one best plan". Each community will have different needs and objectives. We must recognize that there are significant regional differences in Montana.

There are differences in attitudes, resources, organization and administrative ability. Therefore, decide what is best for your community, agree on what must be done, and do it. The test of your plan will be in the results achieved.

If consultants or professional planners are used, never delegate to them by default the power to set the community's values and objectives, and be wary of those who will. The solutions to problems incorporated into the plan of action must result in demonstrable economic and social benefits to the community which reflect the community's self image. Your total Community Development strategy should be action-oriented rather than plan-oriented.

The comprehensive strategy to be incorporated in a total community development plan must go far beyond a list of projects. It must also set forth, define and set priorities for future actions of the community. Finally, the strategy must include a description of how diverse resources will be used and coordinated and used is the most important part of the strategy, the basis upon which the community can assess its investment needs and identify all appropriate avenues of assistance.

BASIC ELEMENTS OF A DEVELOPMENT PROGRAM

Many Montana communities are familiar with the Overall Economic Development Program (OEDP). The OEDP was a locally initiated planning process designed to create employment opportunity, foster more stable and diversified local economies, improve local conditions, and provide a mechanism for guiding and coordinating the efforts of local individuals and organizations

concerned with the economic development of their area.

The OEDP document describes the area's overall economic development program and charts the course for development action. It examines the problems, needs and resources of the area and sets forth the goals of the development program together with the strategy devised to achieve these goals.

SCOPE OF THE OEDP

Although each area's development program will differ from those of other areas, all successful development programs must contain certain basic elements:

- Fact gathering to assure that the area understands the current development situation as a basis for decisions.
- Identification of potentials (such as resources or location) that can be the basis for economic development.
- Establishment of goals and intermediate objectives to point the direction of development activities, and upon which to measure progress.
- Devising a strategy for development--a logical plan for reaching the area's goals and objectives.
- Provision of a detailed work program that proposes the methods for implementing the development strategy and projects.

Details of these basic OEDP elements are explained in a publication covering the outline and specific elements. It is available from the Department of Commerce.

Regardless of whether or not your community decides to follow established procedures for an OEDP, there are several

basic elements of needs assessment, analysis, strategy formulation and program or project implementation which should be followed.

ORGANIZATION

The Mayor should consider establishing a Steering Committee to take the initiative and leadership in developing and continuing the needs assessment analysis and continuing the action program. Who should be involved? Community leaders in business, labor, industry, agriculture, minority groups, the unemployed or underemployed. The Steering Committee needs a Chairperson, a Vice Chairperson to take over when the Chairperson is absent, and a Secretary to record actions and decisions of the organization in addition to issuing press releases.

For the first organizational meeting and for each meeting thereafter, the Steering Committee should have an agenda and stick to it; pick a time that is convenient; start on time; and end on time. It is a good rule to make at least two decisions for further action at each meeting, and to discuss the agenda for the next meeting.

The Steering Committee can begin its community needs assessment with a thorough examination of the community, its assets and its liabilities. This should begin with an analysis of the community's base data, including information on population, employment by sector, housing stock, business inventory, utilities, tax base and mill levies, schools and recreation, etc. (An annotated bibliography of data sources is contained in the Appendix.) If the community has a planning board, the planning board president and any professional planning staff should

be consulted. Very often the planners will have a great deal of the sought after information. The planners also may have other community planning documents which the Steering Committee should analyze before preparing their own plan. These other planning documents may include:

- 1) A Comprehensive (Master) Plan for the community and/or the county
- 2) Land Use Plan
- 3) Housing Plan
- 4) Zoning Ordinance
- 5) Parks Plan
- 6) Overall Economic Development Plan
- 7) Other Technical Studies and Surveys

The major focus of this analysis of existing plans and studies should be to answer the following questions:

- 1) What do the existing plans tell us about the concerned area?
- 2) Are there elements or ideas in the existing documents which we should recognize as community goals and attempt to incorporate into our plan for the concerned area?
- 3) Are the existing plans up-to-date?
- 4) Were the existing plans developed with public input and participation?
- 5) Have community goals changed since the existing documents were published?

Many Steering Committees ask the Mayor to furnish a list of the community's needs and conduct a quick needs survey of

other community organizations, such as the chamber of commerce, county government, school boards, senior citizens and representatives of retail organizations and existing industry.

This information, when combined with the Steering Committee's intimate knowledge of the community, should be analyzed to determine the relative importance of needs by considering:

- Needs which affect the largest percentage of the population and their social environment.
- Needs which pose an immediate threat to the health and welfare of individuals.
- Needs which threaten the economy of the area.
- Needs which are projected for the near future (two or five years).
- Needs which seem to relate directly to other needs.

Once the needs are identified, categorize them in the areas of the social environment, economic environment, natural and political environments.

The next very important step is to analyze candidly why the needs exist: What has or has not been done, by whom or which individuals, or organizations, to create the needs that have been identified.

PUBLIC INFORMATION AND CITIZEN PARTICIPATION

The Steering Committee should develop written policy and procedures to keep the public informed through the media or reports published to solicit and encourage feedback from citizens. In some instances the town hall meeting has been most effective, particularly if there is ample notice, a convenient time and

place, and the preliminary finds and analysis of the Steering Committee are published well in advance so that citizens can respond as well as suggest additional needs.

SURVEYS

There are several sample survey forms available from the Department of Commerce to aid in identifying needs and targeting your program. If you conduct formal surveys, publish the results and again encourage feedback from citizens.

RESOURCE IDENTIFICATION AND ANALYSIS

Make a complete list of all tangible and intangible resources which exist and are available to fulfill the needs identified. This inventory of resources may identify needs which otherwise may go unnoticed.

SET PRIORITIES AND ESTABLISH OBJECTIVES

(1) Decide what are the most crucial needs of the community in their order of importance, emphasizing the greatest benefit to residents.

(2) Identify obstacles which may block the successful fulfillment of needs. Obstacles must be removed or neutralized if your program is to succeed.

(3) Establish specific objectives; performance targets against which achievement or success can later be measured. State exactly how much is supposed to happen, to which group, and when.

DEVELOP A WORK PLAN

Identify: the project (what's to be done); the objectives of the project; who or what organization will be responsible

for each phase; what resources are needed, both tangible and intangible; and set a realistic time for completion.

PROJECT IMPLEMENTATION

Follow your work plan and stick to it until the job is done or progress halts. If at first you don't succeed, again identify and assess alternatives. Try to prevent participant "burn out".

MONITORING AND EVALUATION

The Steering Committee should remain active, assuming responsibility to monitor each project. On a predetermined schedule, each project should be evaluated to make sure the desired results are being achieved.

CONCLUSION

The basic elements outlined above are just that--basic! Steering Committee members will do a better job if they are familiar with several approaches which may be used to develop a total Community Development Plan.

You may want to contact the Department of Commerce, whose staff can assist you: in obtaining sample development plans, identifying community development "resource people" statewide, and by providing ideas and suggestions which may assist your planning efforts. Once you have developed your basic plan, move on to the next chapter which focuses on implementing your plan.

CHAPTER 7

HOW TO FINANCE COMMUNITY DEVELOPMENT

INTRODUCTION

"Before we can appraise our alternatives, I believe we must dispell some of the false hopes that others hold out for revitalizing our cities. Norman Krumholz and Janice Cogger of the Cleveland City Planning Commission have described a number of what they call 'delusions about central cities.'

First, it is a delusion to believe that the process of declining population and falling jobs can be reversed in the near future, and that the older industrial city can be restored to what it once was.

A second delusion is that the energy crisis will cause a recentralization of the population. Thus we will be using public transit and moving back to the central city.

Third, that local development incentives will have a significant impact upon the location of business and industry.

A fourth delusion is that fiscal distress in our older cities is cyclical, brought on largely by recession.

And a final delusion about central cities is the expectation that the federal government is going to bail the older cities out of all their difficulties."

We begin this chapter with the above quotation to dispell some common community development myths. The quotation reflects the experience of community development specialists who have matured in this nation's older urban centers and have become more realistic, perhaps cynical, about revitalizing our cities. While many Montana planners may not concur with all of the author's observations, "the expectation that the federal government is going to bail the older cities out of all their difficulties," is indeed a delusion. This is not to say the federal government has not been an active participation in solving

our revitalization problems; but the intent of the author's comment and the advice offered in this guidebook is that self-help rather than aid from the outside should be the emphasis of any redevelopment or economic development plan.

This chapter discusses four categories of financial tools for community development: local government, state government, federal government, and private sector financing. The premise that local financing tools ought to be considered first is important if community development plans and specific development projects are to be implemented. Local, state, and federal financing is presented in that order because it pragmatically reflects the way things usually happen. Private financing is discussed last not because it is least important, but because it needs to be emphasized as the final determinant of success. No matter how good a plan appears in print, the true test of its worth will be the level of private financial commitment leveraged.

Leverage is a term that will be used throughout this chapter. Leverage is defined as "the use of supplementary non-equity capital (as senior securities) or borrowed money to increase the returns on equity; also: the resultant economic advantage." The objective of this chapter is in part to suggest ways in which limited public monies may be leveraged into substantial private investment. Private investment which will result in jobs, an improved and expanded tax base, and more livable communities.

As ecologist-philosopher Garret Hardins states: "You can never do just one thing." So it is in developing the full range and use of financing tools available to Montana communities. Don't be content to do just one thing; learn to use financing tools in combination to accomplish goals. In one Montana community five different sources of financing, involving federal, state, local and private funds were used to put one development project together. This financing approach is called "packaging." Be willing to be daring and innovative, develop the skillful use and understanding of how financing techniques can make things happen. Consider packaging financing sources. Just as there is no one best plan, there is no "one best" financing tool. Use this chapter as you would a cookbook where ingredients are listed which will satisfy certain needs, but there are no recipes. That part is left to the discretion and individual needs and appetites of each community. Bon appetite!

LOCAL FINANCING TOOLS

INDUSTRIAL DEVELOPMENT BONDS

The legislature of the State of Montana has statutorily authorized municipalities and counties of the state to become actively involved in the industrial promotion of the state. Rather than forcing these political entities to sit idly by the sidelines until private enterprise initiates the steps necessary for needed economic development, Title 90, Chapter 5, Part 1 of the Montana Code Annotated (MCA) provides that the

governing body may purchase the property necessary for an economic development project; finance the sale of the purchase with the issuance of Industrial Revenue Bonds and retire these bonds with the income derived from the lease or sale of the development project.

There is practically no limit to the type of industrial development projects the municipality or county may become involved in by issuing these revenue bonds. "Project" is defined by statute as any land, any building or other improvement and all real and personal properties deemed necessary in connection therewith which is suitable for use for commercial, manufacturing, agricultural, or industrial enterprises; recreation or tourist facilities; state and federal governmental facilities or medical facilities. The reader should be aware that Congress is, as of April 1982, considering legislation to severely limit the use of tax exempt Industrial Revenue Bonds.

ECONOMIC DEVELOPMENT LEVY

Section 90-5-112, MCA, authorizes the city or county to levy a tax for economic development purposes of up to one mill upon the taxable value of all property in the county or municipality; provided that the levy period may not exceed five years, and a majority of the qualified voters of the county or municipality must approve the levy.

The proceeds of this tax may be used to contract with local development companies and other associations or organizations capable of implementing the needed economic development and

may also be used for purchasing the land necessary for industrial parks; constructing buildings to house manufacturing and processing operations; conducting preliminary feasibility studies and generally promoting economic development in a particular area. The funds may not be used as a loan to assist an industry's operation, nor may the funds be used to pay the salary of a government employee. Section 90-5-112, MCA, authorizes the governing body to combine the proceeds of this tax with bond proceeds and finance the economic development project with both methods of financing.

SPECIAL IMPROVEMENT DISTRICT (SID)

In Montana the Special Improvement District is by far the most utilized financing tool. There are a surprising number of communities that seldom use the statutory authorization to create a SID.

SID's may be used to pay for all manner of public improvements (e.g. streets, lighting, sewer), to aid in the prevention of blight or to provide the public infrastructure to serve new or expanded business and industry.

The creation of a Special Improvement District allows a municipality to issue tax exempt bonds to pay for the cost of public improvements, and to pay the principal and interest due on those bonds over a period of up to 20 years. The money to retire bonds sold is derived from assessments levied on property in the SID. Assessments may be based on a front foot basis, an area basis or a combination of both. (Assessments for parking are difficult. You may want to contact a community which has a parking commission or a private consultant. You may need to carefully analyze your community's parking situation.)

The Special Assessment differs from a tax in that it is levied against property that will receive relative benefit from an improvement, whereas taxes are compulsory contributions without any necessary relationship to benefits received.

SID's may be used alone or in combination with revenue bonds, G. O. Bonds, private contributions, or state and federal funds. Tax increment may be used to pay principal and interest on SID bonds sold to pay for eligible urban renewal project costs. The advantages of using SID's are that public improvements may be provided when they are needed, and paid for over a 20-year period; interest rates are lower than market because of the tax exempt status of bonds; only those properties receiving benefit are assessed at the most equitable basis; and it is the simplest, quickest way of providing needed public improvement.

Improvement Districts are covered in the Montana Code Annotated, Title 7, Chapter 12. The Montana League of Cities and Towns has published a Special Improvement District Guidebook complete with sample resolutions. This is a tested step by step procedural manual that can save time and costly mistakes. The Montana Department of Commerce will also provide counseling if needed. This is a most useful and flexible tool.

SID's and Rural Improvement Districts (RID) have been effectively used to provide sewer, water, paving, curbs, gutters and sidewalks for industrial parks throughout Montana. An SID for parking has been used in Helena to back parking revenue bonds sold to provide adequate off-street parking. SID's and

RID's have been used to supplement EDA and FmHA grants to provide improvements in rural areas. Bonds are marketable and brokerage firms in Montana are interested buyers. Explore how an SID or RID may be combined with gas tax funds, urban systems funds and/or revenue sharing funds to build needed improvements. Advise property owners as to how they will benefit from improved property values resulting from paved streets, sewer and water, curbs, gutters, and sidewalks. Don't wait for federal funds or grants to provide community needs if property owners are able to pay assessments. HUD CD Block grants have been used in some communities to pay totally or supplement SID assessments against property owned by low income persons. Be innovative, and use the SID, RID tools to satisfy your community's needs.

Be aware that there are negative aspects to utilizing the SID/RID approach. Assessments may not be paid on a timely basis. Administrative costs are significant. Do consider the SID approach.

GENERAL OBLIGATION BONDS

GO Bonds may be used to aid in the planning, undertaking, or carrying out of an urban renewal project, (7-15-4302, MCA) provided a majority of the qualified electors approve. Under 7-15-4218, MCA, sewer and water revenue bonds may also be used to finance urban renewal project improvement.

URBAN RENEWAL BONDS AND REFUNDING BONDS

A municipality has the power to issue bonds to finance urban renewal, including the payment of principal and interest upon any advances for surveys and plans, and to issue refunding

bonds for the payment of such bonds previously issued. Such bonds shall be authorized by resolution or ordinance of the local governing body and shall not pledge the general credit of the municipality (7-15-4301, MCA). Specifics related to urban renewal bond authority are obtained in Chapter 7, Title 15, Part 43 of the Montana Code Annotated. Before Urban Renewal Bonds may be issued, an Urban Renewal District needs to be created and an urban renewal plan prepared.

TAX INCREMENT FINANCING

Tax Increment Financing (TIF) may only be used in conjunction with the implementation of an urban renewal plan and project (See 7-15-42, MCA). The local governing body must declare that urban renewal is necessary and in the public interest and that "blight" exists in an area or areas of the municipality.

Tax Increment Financing authority was added to the Montana Urban Renewal Law in 1974 to address a need that could no longer be met with Federal Urban Renewal Loans and grants. The Montana legislature recognized that need and has been willing to amend the TIF financing provision several times to assure that it remains a workable tool.

The principal of TIF is that the redevelopment project is financed through the use of new tax dollars generated as a result of increased private investment stimulated by a redevelopment project. It assumes that the existence of "blight" has a detrimental effect on private investment in any area. Blight occurs when private investment is lacking: properties become run down, needed public improvements are neglected, merchants

and affluent residents move out, rents drop and property values (the basis on which taxes are levied) stagnate or declines. The desire to shore up and maintain the tax base then, is an objective which concerns all levying agencies, school boards, state, county and local government.

It can be assumed that if nothing is done in a blighted area levying agencies will derive fewer and fewer tax dollars each year the tax base erodes. This loss of income will require either a reduction in services and expenditures or an increase in the mill rate, or number of mills levied, or both. It must also be assumed that if a community adopts a redevelopment plan which will instill developer-investor confidence, the existing tax base will be maintained at least at present levels and improved measurably over the term of the project. The Tax Increment financed urban renewal project then, is intended to assure that all levying agencies (schools, state, county, city) may continue to count on a stable "original" base value of private property on which to levy taxes. Any increase in the fair market value of property above the "original base" value, or the increment, will generate new tax dollars; tax dollars that in all probability would not exist were it not for an urban renewal project. Tax Increment is "the tax collections realized from extending the tax levies, expressed in mills, of all taxing bodies in which the urban renewal area or a part thereof is located against the incremental taxable value." (7-15-4283(4), MCA)

"The tax increment, (the new tax dollar) if any, received

in each year from the levy of the combined mill rates of all the affected taxing bodies against the incremental taxable value within the urban renewal area shall be paid into a special fund held by the treasurer of the municipality and used as provided (by law). ." (7-15-4286(2), MCA)

The tax increments may be used to pay the following costs of, or incurred in connection with, an urban renewal project:

1. land acquisition;
2. demolition and removal of structures;
3. relocation of occupants; and
4. the acquisition, construction and improvement of streets, curbs, gutters, sidewalks, pedestrian malls, alleys, parking and off-street parking facilities, sewers, waterlines, waterways, public buildings, and other public improvements . . . items of personal property to be used in connection with improvements for which the foregoing costs may be incurred (7-15-4288, MCA) Also costs incurred in exercising any of the powers set forth in 7-15-4233, MCA.

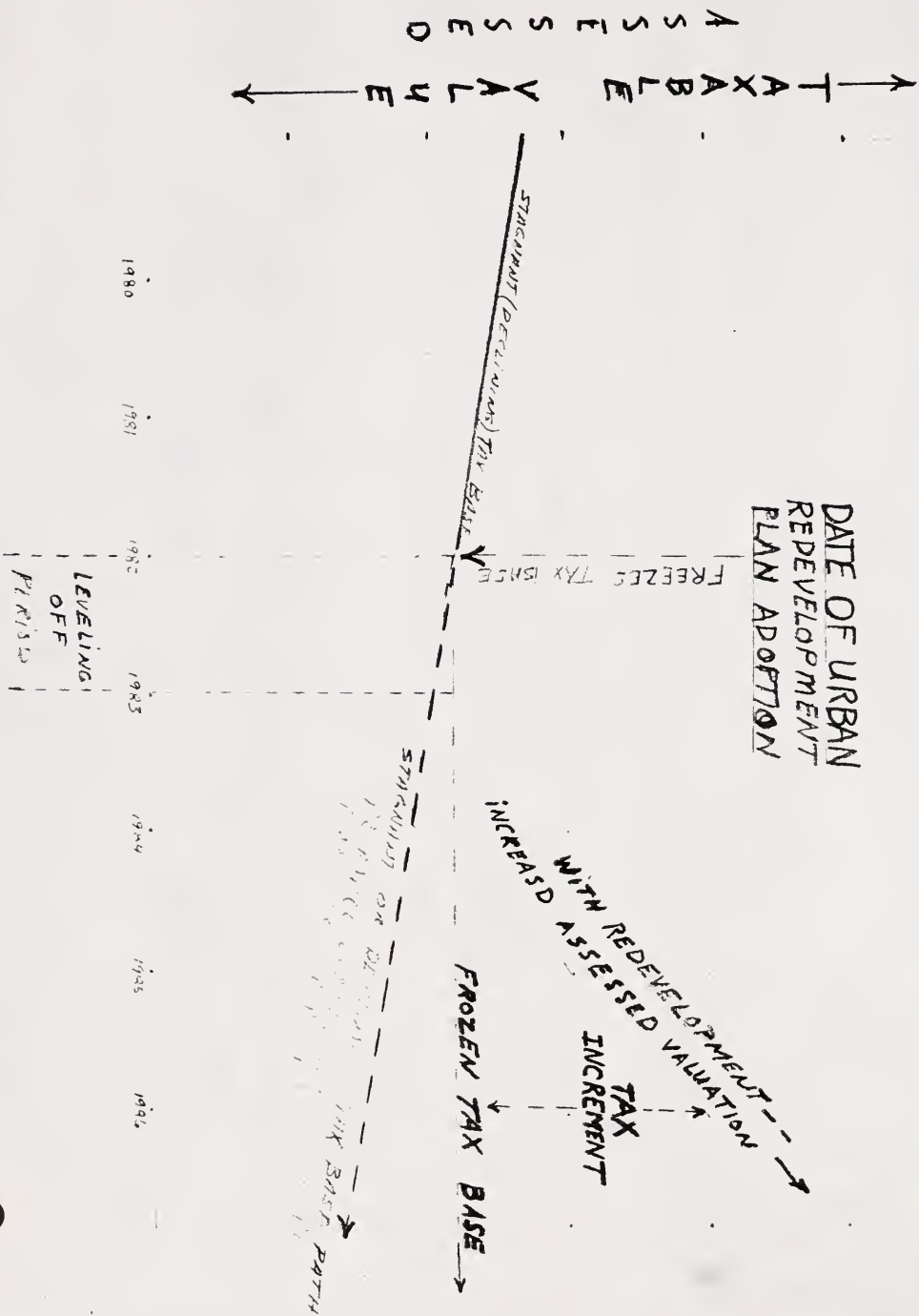
Tax increment may be pledged for the payment of revenue bonds, issued for urban renewal projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay urban renewal costs. (7-15-4290, MCA) All of the above-mentioned bonds are tax exempt, i.e. the interest earned by the bond buyer, cannot be taxed as income therefore a lower than market rate of interest is paid by the seller (municipality).

See Figure 1, The Tax Increment Financing Concept, on page 47. Note the "increment" and the probable consequences of not adopting a plan.

OTHER LOCAL FINANCING TOOLS

Community development activities can also be financed, in part by utilizing:

THE TAX INCREMENT FINANCING CONCEPT (FIGURE 1)



THE TAX INCREMENT FINANCING CONCEPT

1. Parking Revenues
2. Sewer and Water Revenues
3. Planning Boards - Your planning board can be a useful community development resource. Communities can levy mills to support planning. (See 76-1-401, MCA)
4. Land Use Planning Funds - These funds are derived from the Coal Severance Tax and are allocated to county governments. The funds can be used for community development planning, grant applications, parking studies, and other purposes. Contact your County Commissioners to see how your County is utilizing these funds. (See 15-35-108, MCA)

STATE FINANCING TOOLS

The State Historic Preservation Office (SHPO) under the State Historical Society administers a U.S. Department of Interior program which provides for matching grants for historic surveys and for the cost of documenting historic properties or landmarks. Contact the Montana Historical Society for complete details.

Local lending institutions may take advantage of low cost home mortgage financing available through the State Housing Finance Agency's sale of tax exempt bonds to provide housing.

The State Department of Commerce coordinates and administers some HUD Section 8 Housing Assistance programs, to provide rental assistance for low/moderate income persons. As mentioned earlier, the State Department of Commerce also provides a complete range of technical assistance for housing and community development.

The State Highway Department often provides technical assistance and can assist with transportation planning. If the project will involve urban systems or highways, call the local highway engineer for advice and assistance or contact the Montana State Highway Department Planning Division.

MONTANA COAL IMPACT FUNDS

The Montana legislature has statutorily set aside certain portions of the revenue collected from the coal severance tax to assist local governmental bodies in areas of the state affected by the recent influx of people and industry resulting from coal development. In areas where there is coal impact, the governing body of the county, incorporated city or town, school district or special improvement district are potentially eligible for grants. Coal impact funds are available for the construction of educational buildings, sewage and water system improvements, and jail and fire department buildings. In addition, the funds may be used to purchase street maintenance equipment, sewage and water system maintenance equipment, education equipment and furniture; law enforcement vehicles; and fire protection vehicles. Lastly, the funds may be used to provide clerical, health, planning and law and order services. The Coal Board can help the local officials determine whether or not their community is presently impacted by coal development or may be impacted by coal development in the future and can explain grant eligibility requirements.

MONTANA'S "SMALL CITIES" COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Montana has elected to assume administration of "Small Cities" Community Development Block Grant (CDBG) program from HUD beginning with federal FY 82 funds.

The CDBG "Small Cities" program was established by the Housing and Community Act of 1977 and has been administered by the U.S. Department of Housing and Urban Development (HUD).

The program was designed to help communities of less than 50,000 population which have the greatest community development needs, with particular emphasis on assisting persons of low and moderate incomes. Activities funded frequently included rehabilitation of substandard housing; construction or repair of neighborhood facilities, water and sewer systems, and streets; and acquisition of property for development.

The new law requires that the state's program for allocating CDBG funds:

"give maximum feasible priority to activities which will benefit low and moderate income families or aid in the prevention or elimination of slums or blight; the use of funds may also include activities which are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs."

The Department of Commerce will furnish complete regulations and application forms. Eligible applicants are limited to general purpose local governments (counties and incorporated cities and towns). All Montana counties, cities and towns are eligible to apply, with the exception of Billings and Great Falls.

Applicants may submit only one application for either a single purpose or comprehensive grant per fiscal year, and the applicant should clearly indicate which type of grant it is choosing. For a single purpose grant, a project must address a community development need in one of the following general areas: Economic Development, Housing, or Public Facilities.

A comprehensive project must:

1. Address a substantial portion of the identified

community development needs within a defined concentrated area or areas;

2. Involve two or more activities that bear a relationship to each other (excluding administration, planning and management), and in terms of support or necessity, must be carried out in a coordinated manner;
3. Have a measurable, beneficial impact within a reasonable period of time;
4. Be developed through an assessment of the applicant's community development, housing, public facility and economic needs.

Each type of grant will have a different grant ceiling, as follows:

<u>Type</u>	<u>Ceiling</u>
Single purpose	\$400,000
Single-year comprehensive	\$750,000
Multi-year comprehensive	\$500,000 per year for a maximum of three years

Each applicant must prepare an assessment of community needs and propose a strategy for responding to them. The strategy must:

1. Establish priorities for the identified needs;
2. Include a list of activities the community will undertake to address them; and,
3. Describe how local efforts will contribute to the overall strategy.

A brief summary of the needs and strategy shall be submitted

with the application. The summary must include a description of the process used to identify and select the needs, priorities, and activities, including efforts to encourage citizen participation.

The Department of Commerce and the Montana League of Cities and Towns can provide information and technical assistance to improve the community's changes for funding.

TAX INCENTIVES

Manufacturing industries may qualify for significant reductions in property taxes after approval by local governing bodies. Individuals and corporations may claim a tax credit against property taxes paid on business inventories provided no deduction was claimed for the business inventory tax. Business inventories will be exempt from property taxation for tax years beginning after December 31, 1982.

There are numerous other tax incentives explained in the publication "Montana Taxes and Industrial Tax Incentives", distributed by the Department of Commerce. Community leaders should also be aware of the substantial investment credits and rapid depreciation allowances for older and/or certified historic structures which are allowed by the federal ECONOMIC RECOVERY TAX ACT OF 1981. Tax incentives when combined with limited local government assistance, can make an otherwise financially unfeasible private project viable.

FEDERAL FINANCING TOOLS

URBAN DEVELOPMENT ACTION GRANTS

The purpose of Urban Development Action Grants (UDAG) is to assist distressed cities and urban counties which require public and private investment in order to strengthen their economic, employment, and tax base. The program is intended to help revitalize cities and urban counties experiencing a combination of the following characteristics; loss of population and jobs; stagnating or declining tax bases; high percentages of poverty; low per capita income change; high unemployment; and deteriorating housing.

HUD allocates grant funds throughout the year to ensure that assistance is available for each calendar quarter. There is special set aside funds for "small cities" which meet "distressed community" criteria and are determined eligible by HUD.

There are three types of action grant projects:

1. "Commercial Projects" - are those which are predominantly retail, office or commercial in nature and which are located in primarily commercial areas such as a central business district;
2. "Industrial Projects" - are those which are predominantly warehousing, manufacturing or industrial in nature, which are located in primarily industrial areas such as an industrial park or a central business district; and,
3. "Neighborhood Projects" - are those which include

industrial, commercial and/or residential action grant funded activities located in a residential area or are predominantly residential in nature.

No project will be considered for funding unless it contains a firm private commitment and includes a statement that "but for" the receipt of the action grant funds requested, the project would not be built. Each project considered for selection must have a leveraging ratio of at least 2.5 to 1.0. The higher the leverage ratio the more competitive the application will be. HUD will also consider: the impact of the proposed project on the employment base; the impact of the project on the fiscal base of the community; the impact of the proposed project on the physical conditions of the community; the impact of the proposed project on the economic conditions of the community; the demonstrated performance of the applicant in carrying out housing and community development programs; extent of relocation caused by the project; extent of citizen participation, extent of minority business participation; extent of assistance to be made available by the state; and the extent of participation by other public entities.

UDAG works! The City of Missoula has succeeded in funding a new \$3.2 million office building and a 200-room Sheraton Hotel. The City of Great Falls funded a warehouse expansion and a new office building. UDAG is not just for the larger Montana cities or just for large complicated development projects. Many small Montana towns are eligible for UDAG grants. In some parts of the country, UDAG grants have helped finance

small business projects -- such as a new Dairy Queen. If your project will not work any other way and the private sector is willing and able "but for" an action grant, call the Department of Commerce for more information on UDAG.

OTHER FEDERAL PROGRAMS

The following agencies/programs may also be useful:

1. The Small Business Administration - Provides loans to local development companies.
2. Economic Development Administration - This agency administers several programs.
3. Federal Revenue Sharing Funds - These funds are distributed to local governments on a formula basis. Generally, revenue sharing funds should be considered for "infrastructure" improvements which are necessary to support community development. Infrastructure improvements include: roads, sewer and water systems, utilities, street lights, sidewalks, etc. Revenue sharing monies should not be used for maintenance and operating costs.

PRIVATE SECTOR FINANCING TOOLS AND INCENTIVES

The true test of any total community development plan will be whether or not the plan stimulates private investment which results in jobs, an improved tax base and a more humane environment. This statement has been reiterated throughout this text because it is important. Planners, community leaders

and elected officials must realize that investor-developers are motivated by profit, reasonably secure investment, and the opportunity for investment growth. We should perhaps add a fifth delusion to the list at the beginning of this chapter-- that a businessman's social conscience will prevail over his or her desire for profit, and thus compel them to invest in our communities.

Redevelopment and economic development plans must not just treat the symptoms of blight, inadequate housing, unemployment and a stagnant tax base, but attack the cause--lack of profit incentive. Federal and state programs are now focusing on leveraging private dollars with limited grants; local government too, ought to channel its efforts in that direction. In order to do so, local government needs to understand what profit incentives are available to businesses in addition to: low interest loans; grants; good planning; adequate public services and off-street parking; long-term financing; technical assistance; a local development company; local government's interest in viability of businesses; and tax incentives and reasonably priced land.

The Montana Urban Renewal Law allows local government to acquire private property land and improvements and resell to private developers at fair market value for purposes consistent with the plan. For example, assume that there is a need and market for a hotel/motel convention complex in the community and investor/developers interested in building it. Assume also that there are one or two blocks in the urban renewal

project area occupied by substandard, functionally obsolete, low-value buildings that have neither architectural nor historical significance. The site is acceptable to the investor/developers, but the cost of assembling the land and improvements, relocating the building's occupants, demolishing the structures, improving the site and providing new utilities, will result in cleared, ready-to-develop land costs exceeding \$15.00 per square foot -- an uneconomical development cost. An additional problem is that one of the 15 property owners, in the proposed project area, will only sell his property for five times the current market value.

The investor/developers economic feasibility studies indicate the project will support a land cost of no more than \$5.00 per square foot and there is a parcel of land in an irrigated hay field just north of town that could be purchased for \$2.00 per square foot plus the cost of utilities. The city, however, wants the project to be built in the urban renewal area and so does the developer if the land can be purchased for \$5.00 per square foot.

If the urban renewal plan land use element permits a hotel/motel convention center in the area and/or even addresses the needs for one as an objective of the plan, the city or agency may acquire the land at a fair market value (just compensation) exercising eminent domain if necessary, pay the cost of relocating occupants, building demolition and site improvements using tax increment or other financing. The city may then sell the cleared land to the developer for \$5.00 per square foot, assuming that it fair market value for reuse in accordance with the plan.

The \$10.00 per square foot loss on the transaction is the land write down, an urban renewal project cost that may be paid for from tax increment which will be generated through taxes paid on the hotel.

The land write down concept is one of the urban renewal's best tools.

CHAPTER 8

LAND MARKETING AND COMMUNITY PROMOTION:
ATTRACTING PRIVATE INVESTMENT

LAND MARKETING

The ability of Community Local Development Corporation (LDC) to dispose of land and buildings or sites in an industrial park, to an investor/developer or business who will develop the land to its highest and best use, is the principal goal of many plans, and its measure for success. Land marketing is a function that requires the skills of persons knowledgeable in real estate sales techniques and requirements and is not to be left to amateurs. If an agency or LDC does not have experienced staff, it should consider contracting for the services of a professional realtor and/or real estate investment counselor.

The experienced staff or the professional realtors' role is to identify and eliminate as much as is feasibly possible, detriments to land disposition and to magnify the advantages of acquiring commercial land to the prospective investor/developer.

Basic principles to guide disposition are:

1. fair value must be paid;
2. the redeveloper must agree to conform to the land use plan, start and complete the proposed development on time, submit evidence of interim and take out financing and demonstrate the legal and the financial ability to perform; and,
3. transactions for land and/or buildings must hold up under public scrutiny.

PROMOTION

Ask any successful realtor, the best way to promote a sale and he or she will outline some basic considerations:

1. have a good appraisal supported by market comparables to justify the asking;
2. sell location, location, location - the three most important considerations for selecting a site for a business investment;
3. have a clear description of the property and list assets and incentives for development;
4. be able to answer a prospect's objections with facts;
5. be willing to assist the client in securing the best possible financing; and,
6. make sure that the responsibilities of the seller and buyer are understood and in writing.

All too often, promotional efforts are geared to attracting out-of-state investor/developers, placing ads in the Wall Street Journal, saying "y'all come to the Big Sky Country where the fishin' and huntin' is good" when in reality the best prospects for investment in the community are the business investors, the small manufacturers, the merchants, and residents who already live there. Concentrate on the expansion of local industries and businesses. For example, by doing a business and retailing market study, you can identify "retail or shopper leakage" to other communities. You may be able to find a way to provide the "leaked" good or service in your own community. Finding ways to expand existing business should be the cornerstone of the public/private partnership in your community.

CHAPTER 9

SUMMARY

The following concepts are central to community development and deserve reiteration:

1. Community Development must be a total process which relates and addresses the concerns and needs of a community's social, economic, political, and natural environments. Accent and preserve the positive elements, eliminate the negative elements.
2. A public private partnership -- based on trust, mutual self-interest, and economic realities -- is a foundation for effective community development.
3. Community Development (like all public and private endeavors) must be planned to be most effective. Planning must be based on general community goals and objectives, realistic assumptions of what can be accomplished, and economic and political realities. Planning must include a real dialogue between the public and private sector and must include public participation. Planning is an action process which should result in the building of actual development or development prospects.
4. Community Development should be locally financed to the highest degree possible.
5. Creative financing and packaging of several funding tools should be considered.
6. Federal and State Assistance is limited but available. Such assistance should compliment -- not supplant -- local efforts.
7. Local community development is an involved process, based on people negotiating with people for mutual benefit.

As was stated at the beginning of this publication, this guidebook is a basic introduction to the community development process. We've covered a lot of ground and discussed a wide range of technical concepts and financing methods. The key point is: Don't be overwhelmed by the information presented. As in learning to walk, a total community development process can be created if steps are taken one at a time.

APPENDIX

BIBLIOGRAPHY

Bernstein, Harry E. "The Suburbs vs. The Cities". New Jersey MUNICIPALITIES Magazine, February 1979.

Catalog of Federal Domestic Assistance (Superintendent of Documents, Government Printing Office, Washington, D.C. 20402). Cost is approximately \$18.00.

Catalog of Federal Loan Guarantee Programs (Id., 1977). Cost is approximately \$3.75.

"Community Development Digest," Community Development Services, Inc., 399 National Press Building, Washington, D.C. 20045. (Bi-weekly, subscription \$107.00 per year).

Department of Community Affairs, Research and Information Systems Division, Economic Conditions in Montana December, 1978.

Department of Housing and Urban Development, Office of Community Planning and Development, Office of Evaluation, Guidelines for Urban Renewal Land Disposition. (Superintendent of Documents, United States Government Printing Office, Washington, D.C. 20402). Price is approximately \$5.05.

Economic Development Administration, Bulletin No. 85-78, Assistant Secretary's Instructions for Fiscal Year 1979. 12/14/78-12/31/79.

Bulletin No. 30-78, Part II. The Comprehensive Economic Development Strategy, Planning and Investment Process, 4/13/78-10/1/78.

Id., Part I, Statement of Policy.

Federal Register, United States Government Printing House, Washington, D.C. 20402, (Subscription \$50.00).

Governor's Council of Economic Advisors, Annual Report and Recommendations to the Governor. January, 1979.

Governor's office of Commerce and Small Business Development, Proposed Montana Development Plan. January, 1979.

Levatino, Adrienne, M. Neighborhood Commercial Rehabilitation. NAHRO Operational Guide 1978. (NAHRO, 2600 Virginia Avenue, N.W., Washington, D.C. 20037). Price approximately \$9.00.

Lindbloom, Carl G., Farrah, Morton. The Citizen's Guide to Urban Renewal. Chandler Davis, 1968.

Loans to Local Development Companies, OPI-17, February, 1975.
(United States Small Business Administration, Washington, D.C. 20416).

Mitchell, Richard G. "Tax Increment Financing: An Appraisal"
NAHRO Journal of Housing.

Montana Code Annotated, 1978.

Montana House Journal, 1959.

Montana League of Cities and Towns. Special Improvement District Guidebook. (Montana League Office, 1728 9th Avenue, Helena Montana 59601).

NAHRO (National Association of Housing and Redevelopment Officials). Journal of Housing Number 3, March, 1977. 34:3 (Subscription and individual order of this and other select writing available through: NAHRO Publication, 2600 Virginia Avenue N.W., Suite 404, Washington, D.C. 20037)/

National Trust for Historic Preservation. Guide to Federal Programs. National Trust Bookstore, 740-748 Jackson Place N.W., Washington, D.C. 20006.

Neighborhood Preservation: A Catalog of Local Programs.
(Superintendent of Documents, United States Government Printing Office, Washington, D.C. 20402).

Practicing Law Institute, Under Direction of United States Department of Commerce. The Local Economic Development Corporation: Legal and Financial Guidelines, 1970.
(Superintendent of Documents, United States Government Printing Office, Washington, D.C. 20402). Price is approximately \$2.00.

United States Department of Commerce, Economic Development Administration. Guide for AREA Overall Economic Development Program. May, 1977. (Economic Development Representative, Economic Development Administration, Federal Building and United States Courthouse, Helena, Montana 59601).

Richard Preston, C.I.D. Principles of Industrial Development. TRT Publications Inc., Third Edition Revised, 1981.

Kenneth C. Wagner, Economic Development Manual, University Press of Mississippi for the Mississippi Research and Development Center, Jackson, 1978.

Avrom Bendavid-Val "Linking Future with Past" Planning
for Local Economic Development (Working Draft) 1979.

Montana Department of Commerce, "Montana's Community
Development Block Grant Program," Draft, March 3, 1982.

Dennis McKee, J. Michael Vieux, John Wilham, A Community
Development Manual, Kansas Department of Economic
Development, October 1977.

SOURCES OF SOCIAL AND ECONOMIC INFORMATION

prepared by

Western Analysis, Inc.
P.O. Box 287
Helena, MT 59624
(406) 443-3420

The following information sources may be helpful in assessing your community needs. These statistical documents may help you analyze how your community compares to communities of similar size and economic structure. Some of the following statistical sources may be helpful - or essential - in providing information necessary to apply for state or federal grants.

AGRICULTURE

Montana Department of Agriculture,
Montana Agricultural Statistics
(Helena, Montana: Montana Department of Agriculture).
Published bi-annually.

Available from: Montana Department of Agriculture
Crop and Livestock Reporting Service
State Capitol Station
Helena, Montana 59620

Price: Free

COUNTY PROFILE

Montana Department of Administration,
County Profile
(Helena, Montana: Montana Department of Administration).
Published annually.

Available from: Montana Department of Administration
Research and Information Bureau
State Capitol Station
Helena, Montana 59620

Price: \$6.00

CRIME

Montana Board of Crime Control,
Crime in Montana.
Published annually.

Available from: Montana Department of Justice
Montana Board of Crime Control
State Capitol Station
Helena, Montana 59620

Price: Free

ECONOMICS (Income and Employment)

Montana Employment Security Division,
1) Montana Economic Indicators.
Published quarterly.
2) Montana Employment and Labor Force.
(Helena, Montana: Montana Employment Security Division).
Published monthly.

Available from: Department of Labor and Industry
Employment Security Division
Research and Analysis Section
P.O. Box 1723
Helena, Montana 59624

Price: Free

Regional Economic Information System (REIS),
Employment and Income Statistics.
Published monthly.

Available from: Department of Labor and Industry
Employment Security Division
Research and Analysis Section
P.O. Box 1728
Helena, Montana 59624

Price: Free

EDUCATION

Office of Superintendent of Public Instruction,
Montana Education Directory
(Helena, Montana: Office of Superintendent of Public
Instruction).
Published annually.

Available from: Office of Superintendent of Public
Instruction
Room 106
State Capital Building
Helena, Montana 59620

Price: Free

School District,

- 1) Budget and Application for Tax Levies.
Prepared annually for each school district by the County
Superintendent of Schools.
- 2) School Trustee's Annual Report.
Prepared annually for each school district.

Available from: a) County Superintendent of Schools
County Courthouse
(Name of County Seat)

b) Office of the Superintendent of
Public Instruction
Finance, Planning and Evaluation
Services
Room 106
State Capitol Building
Helena, Montana 59620

Price: Minimal fee for photo-duplication

HEALTH AND VITAL STATISTICS

Montana Department of Health and Environmental Sciences,
Montana Vital Statistics

(Helena, Montana: Montana Department of Health and
Environmental Sciences).

Published annually.

Available from:

Department of Health and
Environmental Sciences
Bureau of Records and Statistics
State Capitol Station
Cogswell Building
Helena, Montana 59620
Free

Price:

POPULATION

U.S. Bureau of the Census,
1980 Census of Population.

Summary Tape Files 1-4, in computer printout form.

Available from:

Department of Administration
Research and Information Bureau
State Capitol Station
Helena, Montana 59620

Price

\$100 per county for STF 1.
Price for STF 2-4 depends on
specific data.

Population Projections.

Available from:

Western Analysis, Inc.
P.O. Box 287
Helena, Montana 59624

Price

Depends on amount of detail.

PUBLIC EXPENDITURES

Community Services Administration,
Federal Outlays in Montana

(Washington, D.C.: Community Services Administration).
Published annually.

Available from:

Community Services Administration
Federal Information Exchange
Robin Building, Room 301
7981 Eastern Avenue
Silver Spring, Maryland 20910
Unknown

Price:

PUBLIC EXPENDITURES (continued)

Budget for (Name of City or Town).

Prepared annually by the city clerk of each incorporated municipality.

City (or Town) Clerk's,

Annual Financial Statement to State Examiner.

Prepared annually by the city clerk of each incorporated municipality.

Available from:

a) City Clerk

City Hall

(Name of municipality)

b) Local Government Services

Division

Department of Administration

805 N. Main

Helena, Montana 59620

Price:

Minimal fee for photo-duplication.

TAXATION

Montana Department of Revenue,

1) Montana Taxpayers Digest

(Helena, Montana: Montana Department of Revenue, 1975).

2) Report of the State Department of Revenue

(Helena, Montana: Montana Department of Revenue).

Published bi-annually.

Available from:

Montana Department of Revenue

Sam W. Mitchell Building

State Capitol Station

Helena, Montana 59620

Price:

Free

Montana Tax Foundation,

1) Montana Property Taxation.

Published annually.

2) Tax Budget Guide.

Published annually.

3) Tax Mill Levies.

(Helena, Montana: Montana Tax Foundation).

Published annually.

Available from:

Montana Tax Foundation

P.O. Box 4909

Helena, Montana 59604

Price:

\$15.00 per volume

WELFARE

Montana Department of Social Rehabilitation Services,
Statistical Report

(Helena, Montana: Montana Department of Social and
Rehabilitation Services).
Published monthly.

Available from:

Department of Social and
Rehabilitation Services
Bureau of Statistics and Research
State Capitol Station
Helena, Montana 59620
Free

Price:

MONTANA COMMUNITY DEVELOPMENT PROFESSIONALS

The following persons or organizations may be able to provide suggestions, ideas, or answers to your community development questions. They are a resource for information about "hands-on-it" development techniques that have worked in their communities. You may be able to develop a self help "idea network" with these persons and organizations.

Janet Cornish
Butte-Silver Bow Urban
Revitalization Agency
Courthouse
Butte, MT 59701

Ed Stern
Community Development Director
414 East Callender
Livingston, MT 59047

Les Prentice, Director
John Coffee, Chairman
Missoula Redevelopment Agency
201 West Spruce
Missoula, MT 59802

Linda Douglas
Community Development Office
Town of Superior
Superior, MT 59872

Michael & Ruth Howard
Community Development Office
Town of St. Ignatius
St. Ignatius, MT 59865

Jean Morrison
Director of Community Development
P.O. Box 567
Plains, MT 59859

Terry Dimock
Community Development Office
Town of Shelby
Shelby, MT 59474

Gary Kent, Chairman
Thompson Falls Community
Development Corporation
P.O. Box 99
Thompson Falls, MT 59073

Ed Gallagher, Director
Kalispell Redevelopment Agency
12 3rd Street East
Kalispell, MT 59901

Dick Thorson
Community Development Director
City of Dillon
125 North Idaho
Dillon, MT 59725

Manson Bailey, Jr.
Valley County Development Council
Box 832
Glasgow, MT 59230

Allen Bjergo
Bitterroot Resource Conservation
and Development District
SCS Office
Hamilton, MT 59840

Dave Sharpe
Community Development Specialist
Cooperative Extension
Linfield Hall
Montana State University
Bozeman, MT 59715

Dick King
Bear Paw Development Corp.
P.O. Box 1549
Havre, MT 59501

Gene Marcille
Polson Community Development
Agency
P.O. Box 758
Polson, MT 59860

Montana Department of Commerce
Development Bureau
1424 9th Avenue
Helena, MT 59620

Local Planning Boards
and Professional Planners
(Check with your city, town
or county government officials.
Most planners have community
development expertise.)

Montana Association of Planners
Nick Kaufman, President
c/o Sorenson and Company
P.O. Box 3418
Missoula, MT 59806

Judie Tilman
Butte-Silver Bow Community
Agency
P.O. Box 588
Butte, MT 59702

Linda Jones
Northwest Montana Human
Resource Council
P.O. Box 1058
Kalispell, MT 59901

Bruce Bullard
Human Resource Development
Council
Lewistown, MT 59457

MONTANA COMMUNITY DEVELOPMENT AND PLANNING CONSULTANTS

Listed below are some private community development and planning consultants who are generally available for community development planning and project implementation. This list is for information purposes only and inclusion does not constitute endorsement by the Department of Commerce. Before hiring a consultant, be sure that you understand the roles and responsibilities of contractor-consultant relationships. The Department of Commerce can provide you with information on utilizing consultants. (Any consultant who was inadvertently left off this list or new firms should contact the Montana Department of Commerce for inclusion in future printings of this document.)

Ms. Lisa Anderson, Planner
31 Division
Helena, MT 59601

Carlo Porteen
904 11th Avenue North
Glasgow, MT 59230

Bob Peccia & Associates
810 Hialeah Court
Helena, MT 59601

Clete Daily
524 West Lawrence
Helena, MT 59601

Johnson-Graham Associates
John A. Eisen, Planning Director
644 Grand Avenue
Billings, MT 59101

Tom Eggersperger
HKM
Airport Industrial Park
Billings, MT 59101

Morrison & Maierle, Inc.
Harold Eagle, Planner
910 Helena Avenue
Helena, MT 59601

Gary Hill
Flathead APO
723 5th Avenue East
Kalispell, MT 59901

Mountain West, Inc.
512 North 29th Street
Billings, MT 59101

Randall Thoreson
Box 1503
Belgrade, MT 59714

Rich Mayfield Associates
Bridger Center
103 Commercial Drive
P.O. Box 5715
Bozeman, MT 59715

Ms. Thelma Taylor
S.W. 640 Taybo Lane
Hamilton, MT 59840

Cumin & Associates
Box 20762
Billings, MT 59102

Joe A. Shouse
35 E. Mendenhall, Suite 200
Bozeman, MT 59715

Sorenson & Company
P.O. Box 3418
Missoula, MT 59806
Nicholas P. Kaufman,
Land Use Consultant

Jim E. Richard
P.O. Box 820
East Helena, MT 59635

Stan Steadman
Route 1, Box 7
Huntley, MT 59037

Jim Boyer
308 Power Block Building
Helena, MT 59601

Ann Mulroney
700 Power
Helena, MT 59601

Bruce Bugbee
111 North Higgins Avenue
Missoula, MT 59801

Nancy Fishing
Route 2, Box 2334
Sidney, MT 59270

Kent L. Mollohan
703 Breckenridge
Helena, MT 59601

Lawrence Gallagher
Suite 1
Professional Building
330 Fuller Avenue
Helena, MT 59601

Mike Halligan
Halligan & Associates
435 University Avenue
Missoula, MT 59801

James L. Linderholm
Plains Engineering
1413 Main
Miles City, MT 59301

Wirth Associates
1600 Poly Drive
Billings, MT 59102

Bob Braico
Hydrometrics
2727 Airport Road
Helena, MT 59601

Dave Fuller
ECO Northwest Ltd.
Downtown Professional Center
314 N. Last Chance Gulch
P.O. Box 4124
Helena, MT 59601

Rusty Rokita
Rokita and Associates
8 West Third Street
Hardin, MT 59034

John Fitzpatrick
Western Analysis
34 W. 6th Ave.
Helena, MT 59601

MONTANA STATE LIBRARY

This “cover” page added by the Internet Archive for formatting purposes